

# THE COMPETITIVE EDGE

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## SUPERIOR VALUE

A potent value proposition drives business growth. Apple's growth was stagnant in the late 90's. It lacked strong-enough value. Then, it introduced the iPod and iTunes. Good growth followed. Then Apple did something even rarer. With the iPhone and the iPad, it increased value offered by an order of magnitude. The result: incredible growth in revenues and profits. A great run.

If your business does not provide superior value, can you develop it? If your business does provide compelling value, how long can it last? Here are some suggestions.

## ASSESS THE VALUE

Define your current value proposition: describe how your business provides value to your customers. As noted in our last newsletter, value comes from solving problems (Ford cars); creating great experiences (Disneyland); opening up possibilities that never existed before (GoPro cameras). Observation: a value proposition may contain all three types of value, but one type of value is usually much more important than the other two.

Stay focused on what you do for your customers. Avoid simply listing product or service features. Ask instead what your offering really provides your customers. Those values are the core of the proposition.

After defining the value proposition, rate its strength compared to alternatives. If it's weak, strengthen it. If it's strong, do what's needed to maintain that strength.

Don't just get ratings from your management team. Get them also from your customers. Then compare the two sets of ratings. If customers' ratings differ significantly from yours, heed the warning in the difference.

How to do the ratings? Here's one good method: identify the key value features of what you offer, then rate how well your company does on each feature.

In the 1990's Southwest Airlines offered customers more speed, friendlier service, and lower prices. It was weaker than competitors in seating choices, lounges, meals, and connections. Southwest was a great deal to some customers.

Southwest focused on those customers and achieved excellent growth.

The Southwest example shows the importance of segmenting your market and rating your value to each segment. Some segments value what you offer more than do others. If those segments are large enough, focus on them to increase growth.



### **FIND A BETTER VALUE PROPOSITION**

Suppose you define your value proposition, rate it, and find what you offer is not exceptional. What can you do to increase the value provided? To answer that question, list the value features in what you offer, as we just did for Southwest Airlines. Your **value profile** is the list of value features in what you offer and your rating of the relative strength of those features. You will find you are better on some features, worse on others.

To improve your proposition, identify possible new value profiles. Do so uncritically, with imagination. Then rate the new profiles in terms of total value offered and ease of implementation. This approach will often point the way to changes that increase value.

### **CHANGE THE FOCUS**

You can strengthen your value proposition by changing the focus. With a narrow customer focus, the value is based on helping an individual customer with a need. For example, medical supply distributor Cardinal Health creates value for individual hospital purchasing agents by accurately providing drugs to hospitals when needed. With a broader organization focus, the value provided is based on helping the entire customer's organization. This focus led Cardinal Health to provide hospitals with error-proof drug dosage systems and inventory management, thereby creating greater value throughout entire hospitals. The result has been a significant and sustained revenue increase for Cardinal Health.

If the value you provide is currently customer focused, increase the value the way Cardinal Health did. To do so, it is necessary to understand the broader context of the customer's systems to identify valuable ways to improve those systems.

### **PRESERVE THE VALUE**

The challenge becomes preserving a compelling value proposition, once your organization has one. Working against you are the competitive dynamics of any marketplace. Imitators will seek to match what you provide. Customers' perceptions of value may diminish. New technology may arise that displaces what you offer.

To protect against the ongoing threats of value erosion, the following practices are essential:

- Monitor the condition of your value proposition. Take action if any ratings decrease.
- Maintain an ongoing, vigorous effort in both product/service and process innovation.
- Do not assume current trends will continue. Actively monitor competitive conditions.
- Be vigilant in monitoring transformative technologies. Be ready to use them to your advantage and to protect yourself against potential damage they could cause.

In particular, keep an eye on smart connected products and 3D printing.